

OFFSHORE ISLANDS
OVERNIGHT DEVELOPMENTS

- I. No significant activity reported to 0800 Washington time.
- II. Associated Press monitored Peiping broadcast, 26 Jan which asserted Communist China "will never be intimidated" by the US 7th Fleet and predicted "final" victory over Formosa.
 - A. There is no mention, in AP account, of Communist threat of military action against Nationalist-held islands.
- III. Agency France Presse from Taipei reports Nationalist forces, 26 Jan, repelled "sizable Chinese Communist amphibious assault" against Matsus. This report unconfirmed, regarded as doubtful.
 - A. Matsu command has shown edginess in previous reports of "invasions"

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which merely involved fishing junks approaching Matsus.

B. Possible, however, 10-20 Comm patrol vessels based at Foochow soon be used harass Matsus garrison.

IV. AFP also reports Nationalist B-25 bombers struck Ichang sixth straight day. Previous Nationalist bombing in this area ineffectual.

V. AFP Shanghai reports new anti-aircraft preparations, but says "no one in Shanghai yet believes US 7th Fleet's preparations to evacuate Nationalists from Tachens will lead to military showdown."